Juices Go Exotic • An Ethnic H&BA Education • The European Pipeline Jam

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Military Market

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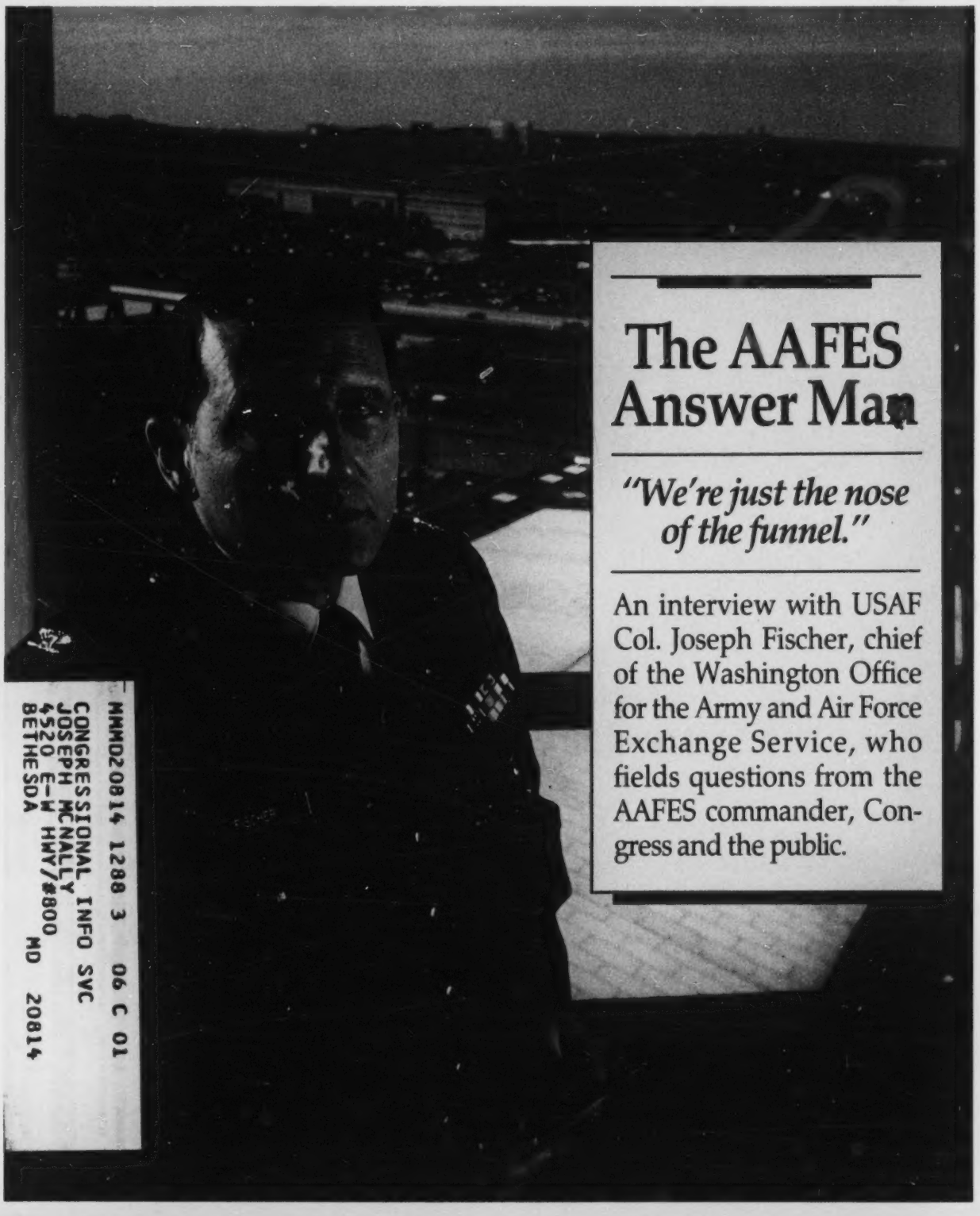

The AAFES Answer Man

"We're just the nose of the funnel."

An interview with USAF Col. Joseph Fischer, chief of the Washington Office for the Army and Air Force Exchange Service, who fields questions from the AAFES commander, Congress and the public.

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COVER DESIGN BY PAUL JORDAN; COVER PHOTO BY KATE PATTERSON

Military Market MAGAZINE

serving the military resale system

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SHOW 'N TELL

Reports by Gregory Wright, Associate Editor

ALA Conference Showcases Ohio Region

Ever wondered how AAFES' distribution system works, what type of promotions the agency offers, or how you get your product sold in Army or Air Force exchanges?

About 50 vendor representatives who attended the Midwest ALA meeting at Wright-Patterson AFB, Ohio, on May 11–13 got to find out.

The meeting, hosted by Ohio Valley Exchange Region officials and sponsored by the association's Midwest chapter, was the first resale "show-and-tell" event ever presented on a regional level.

"This is a chance for [delegates] to come to an Army and Air Force Exchange service region and see the grass roots on how to deal with an AAFES exchange," said Paul Bierhaus, military sales manager for 3M and the ALA's exchange committee chairman.

"This is a forum for them to sit down with the region and find out how do I get in displays and deal with people at the store level."

The idea for the meeting came about after Aubrey Rembold, chief of the Ohio Valley Exchange region, attended the ALA's Western Conference and decided to host a similar meeting on the regional level.

The ALA members attending toured Wright-Patterson AFB's exchange in the morning and later attended seminars on OVER initiatives, replenishment systems and promotional events.

How to Make the Best of AAFES' Distribution System:

The Ohio Valley Exchange Region handles over 1,700 vendor contracts each year.

Frank Oliverio, chief of purchasing for the region, outlined AAFES' replenishment methods and offered vendors tips on how to take advantage of its distribution system:

One-time buy: According to Oliverio, one-time buying is "the quickest way to get an item on the salesfloor and into the AAFES system."

Under this method, vendors contact AAFES headquarters or regional buyers and offer them a chance to purchase a limited amount of a special, one-time-only item.

What makes one-time buys attractive for buyers?

Oliverio said vendors should make one-time items "exciting" to buyers by offering them in conjunction with store grand openings, anniversaries, giveaways and sales.

The one-time buy should also be competitively priced.

"We'll sell anything, anytime, anyplace as long as we feel it will give the customers a good price," Oliverio said.

After a vendor is awarded a one-time buy contract, the company should visit the store where the product is offered on a monthly basis and assist in setting stock levels. Oliverio said that, ultimately AAFES has the final word on this decision but the region appreciates input from vendors who have handled the goods on a national level.

Warehouse System: The purchasing directorate at AAFES headquarters handles warehoused items, which are non-seasonal, high-volume goods that are used every day (for instance, toothpaste and shaving equipment). In order to get an item placed in the warehouse, vendors should make a sales presentation to headquarters buyers.

Once the merchandise is in the warehouse, a responsible vendor should make periodic visits and remove or replace aged or defective merchandise, Oliverio said.

Open-order direct delivery: Under this method, which is ideal for seasonally sensitive merchandise, vendors contact regional buyers and deliver items on a daily or weekly basis.

Oliverio said vendors who have open-order direct delivery contracts are required to visit stores on a regular basis, reorder merchandise and offer promotional advice.

"This method allows the greatest vendor involvement," he said. "You tell how much we need, how to show it and can provide fixtures."

What is the key to maintaining a healthy open-order direct delivery relationship with AAFES? Oliverio said instead of dumping "a bunch of stuff" on stores, vendors should look at the sales floor and stockroom levels of their items and propose quantity levels accordingly.

Seasonal-buy plan: The seasonal-buy plan works best with merchandise that is sold only during holiday seasons like Christmas, Halloween and Thanksgiving. Oliverio said the holiday categories include not just candy, but decorations and fixtures, as well.

"The seasonal buying plan is similar to one-time buying but more volume [of merchandise is sold] and committed way in advance," said Oliverio.

Because AAFES handles seasonal events every year and monitors sales levels, Oliverio said vendors do not have to become overly involved in promoting holiday items.

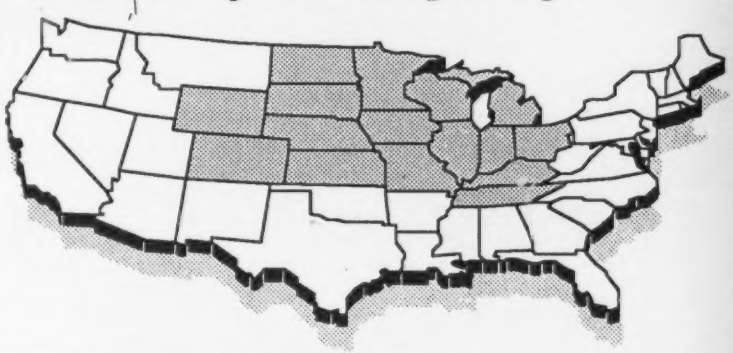
"There's no sense in you sending a person to our store when we know how to distribute an item . . . That would be a waste of money," he said.

Ohio Valley Region Statistics — Fiscal 1987

Area:	16 states
Total number of operations:	432
Sales:	$469.5 million
Inventory level:	$77.9 million
Local purchases:	$228.3 million
Special buys:	$14.7 million
Number of vendor contracts:	1,700*
Expenditures	$18.2 million**
Employees:	8509†
Annual employee turnover:	85 percent

* Approximate. ** Including new fixtures, food outlets and store resets. † HPP = 7,982; UA = 527

Ohio Valley Exchange Region



MAP BY MARTY BAUMANN

Ohio to Launch Its Own Flyers

The Ohio Valley Exchange Region will launch a special shoppette flyer program in June that will promote up to 425 items available in the region's convenience stores.

Region Chief Aubrey Rembold said his office decided to create the program because the AAFES headquarters-prepared shoppette flyer program did not reflect the merchandise selection at Ohio Valley stores.

"AAFES messed it up — they didn't adjust [their flyers] to the stock assortment of all shoppettes," he told ALA attendees.

The flyers will be four-page tabloids and cover only seven-day sales events, Rembold said. His office plans to mail 46,000 copies of the flyers to regional servicemembers.

The Ohio Valley Exchange Region will test the flyer program for two to three months to find out if it is "necessary and worthwhile" to continue the program, said Ohio Valley region marketing chief Alan Grossman.

Vendors, It's OK to Talk to the Regions

Vendors who fail to sell their items to buyers at Army and Air Force Exchange Service headquarters in Dallas, Texas, should canvass regional buyers, according to Frank Oliverio, the Ohio Valley Region's director of purchasing.

"Vendors [who strike out at headquarters] should go out to the region, make a presentation and hope to make the sale there," he suggested.

In the past, headquarters buyers were discouraged from referring vendors to regional buyers. "You made the decision yes or no right there," Oliverio said.

However, "several conservative buyers" at AAFES headquarters would circumvent this rule in order to test how well an item would perform on the regional level before distributing it nationally.

Oliverio said now that AAFES has a better rapport with vendors, there is no need for them to limit contact to headquarters. However, he said some headquarters buyers are still reluctant to admit they have directed vendors to regional sources.

Aubrey Rembold, chief of the Ohio Valley region, said he welcomes increased vendor contact with regional buyers.

Rembold said that, "because item movement is so localized all too often," some products that are rejected at headquarters have a better chance of succeeding in individual regions.

Rembold Shows Off Ohio Region

The ALA Midwest meeting gave Ohio Valley Region Chief Aubrey Rembold a chance to brag about special projects and initiatives his region is working on:

■ ***The Sportstore at Lowry AFB, Colo.*** — Army Maj. Gen. John Long, commander of AAFES, wanted to experiment with a sports shop modelled after AAFES-Europe operations. The 7,500 square-foot store opened three years ago at a cost of $570,000 and is devoted to selling skiing and jogging equipment.

■ ***Celebrity appearances*** — Rembold said his region "has had more than anybody in the history of AAFES." Some of the stars who have appeared at Ohio Valley region exchanges are country singers like the Judds, Charlie Pride and Glenn Campbell; team members of the Denver Broncos, and Mr. T. Rembold said Ohio Valley exchanges hold celebrity visits in conjunction with music sales and special promotions.

■ ***Computer Assisted Design*** — Engineers at Ohio Valley headquarters use this software, which was developed by Epson Computer Co., to set up shelf displays and generate schematic diagrams. Rembold said the system has cut the drafting process, which used to take weeks, down to 15 minutes. CAD has been on-line only in the Ohio Valley region since April 1987.

AAFES May Expand Fine Jewelry Program

The Ohio Valley Exchange Region may open fine jewelry shops at Scott AFB, Ill. and Lowry AFB, Colo. by next year, OVER officials told ALA delegates.

The shops will be based on Wright-Patterson AFB's Impressions jewelry shop, but may have different names, floor layouts, and color schemes, said Ohio Valley region Deputy Chief Robert Winston.

The $113,000 Impressions shop, which opened last July, averages $165,000 in monthly sales. However, store manager Judy Roylance said the Impressions concept does not work for every base.

Wright-Patterson exchange officials earlier told MILITARY MARKET the shop was designed to attract the "generally affluent" Wright-Patterson customer.

"We don't think [Impressions] is for everyplace," said Roylance. "It's a classy shop, and we keep it dressy. There are standards of display."

Some extra amenities Impressions offers are complimentary gift wrapping, repairs, thank you cards and ring sizing and cleaning. Along with purchases, customers also receive suede jewelry cases or draw-string bags with the Impressions logo.

All jewelry in the shop falls within Congressional cost-price limits — about $985 to $1,000. The jewelry is purchased by gemologists at AAFES' distribution center in Atlanta.

Stock Assortment Of Package Stores May Realign

Exchange regions may have to realign the stock assortment of Army and Air Force wholesale liquor stores when the operations are turned over to AAFES.

"The jury is out on an official answer [to the Class VI transfer]," said Ohio Valley Region chief Aubrey Rembold. "When AAFES assumes responsibility of the operations and when rules are settled, we will then embark on bringing them in."

The House Armed Services Committee wants the Army and Air Force to turn liquor operations over to AAFES by Oct. 1, in time for the next fiscal year. The committee believes AAFES can run the stores more efficiently and streamline the procurement and warehouse facilities of the stores.

Rembold said some items sold by Class VI stores may be "assimilated" into existing exchange operations to ensure maximum sales, earnings and benefits to customers.

An example is wines, which are now sold in package beverage stores. Rembold said the products may end up being sold only in shoppettes, which already carry the items. Spirits will almost certainly remain in package beverage stores.

Rembold said there are 30 package beverage stores in the Ohio Valley Exchange Region, and his office has collected data on 24. Sales at the 24 stores combined average $24 million a month.

A Guide to AAFES Promotions

The Army and Air Force Exchange Service plans all upcoming promotions up to one year in advance and releases promotional information to exchanges in October. Alan Grossman, the Ohio Valley Region's chief of marketing, gave ALA delegates an outline of AAFES promotions:

- AAFES promotions are planned on a weekly basis. Fifteen weeks before a sale, AAFES' headquarters marketing directorate selects items to be included in a sales flyer promotion. Twelve weeks before the sale, stores can order the items. Sales flyers vary from four to eight pages.
- Though AAFES plans promotions a year in advance, the agency is not obligated to run the event as planned. Grossman said vendors can run out of an item or introduce new merchandise after a promotion is planned, so some items may be deleted or added.
- Besides a flyer program, AAFES also provides point-of-purchase signage, posters, banners, post and base newspaper insert program, and 15 direct mail events that are sent to active duty servicemembers, retirees, national guardsmen and reservists.

AAFES Announces Relaxed Fixtures Policy

AAFES has released a new fixtures policy that will give exchange personnel greater freedom over store decor, Ohio Valley Region officials announced at the Midwest Conference.

According to Region Chief Aubrey Rembold, the crux of the new fixtures policy "is that there is no policy." Regional headquarters and exchange personnel can now look at "their unique store" situation and decide what vendor and headquarters fixtures best suit their needs.

Manufacturers can also visit exchange managers and propose design ideas, he added.

The Army and Air Force Exchange Service is now compiling an updated vendor fixtures catalog list which should be available to exchange personnel by this summer.

Rembold said the agency is also toying around with the idea of automating the vendor list and sending it out on computer via AAFES' electronic mail system. The listing would be easier to compile and maintain if it was kept on a computer, he said.

Military Market index

COMMISSARIES

		FEBRUARY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$143,985	$145,498	–1.04	$301,477	$305,889	–1.44
	OVERSEAS	31,884	29,854	6.80	66,839	62,595	6.78
AIR FORCE	TOTAL	**175,869**	**175,352**	**0.29**	**368,315**	**368,484**	**–0.05**
	CONUS	105,630	102,165	3.39	217,350	214,515	1.32
	OVERSEAS	40,740	35,175	15.82	83,265	73,500	13.29
ARMY	TOTAL	**146,370**	**137,340**	**6.57**	**300,615**	**288,015**	**4.37**
	CONUS	60,119	58,027	3.61	119,918	116,262	3.14
	OVERSEAS	6,798	6,704	1.40	13,410	13,521	–0.82
NAVY	TOTAL	**66,917**	**64,731**	**3.38**	**133,328**	**129,783**	**2.73**
	CONUS	11,808	10,899	8.34	25,008	24,875	0.53
	OVERSEAS	268	248	8.06	552	525	5.14
MARINE CORPS	TOTAL	**12,076**	**11,148**	**8.32**	**25,560**	**25,401**	**0.63**
	CONUS	250	236	5.93	492	508	–3.15
	OVERSEAS	278	384	–27.60	596	696	–14.37
COAST GUARD	TOTAL	**527**	**621**	**–15.14**	**1,088**	**1,205**	**–9.71**
	CONUS	$321,792	$316,825	1.57	$664,245	$662,049	0.33
ALL	OVERSEAS	$79,968	$72,365	10.51	$164,662	$150,837	9.17
COMMISSARIES	TOTAL	**$401,760**	**$389,190**	**3.23**	**$828,907**	**$812,886**	**1.97**
GROCERY STORES	*U.S.[1]*	*$22.096*	*$21.449*	*3.02*	*$45.419*	*$45.108*	*0.69*

EXCHANGES

		FEBRUARY			YEAR TO DATE		
		CY'88	CY'87	% CHANGE	CY'88	CY'87	% CHANGE
	CONUS	$243,175	$195,652	24.29	$463,699	$418,525	10.79
	OVERSEAS	205,170	134,168	52.92	403,922	316,314	27.70
AAFES	TOTAL	**448,345**	**329,820**	**35.94**	**867,621**	**734,839**	**18.07**
	CONUS[2]	88,402	87,257	1.31	172,221	155,014	11.10
	OVERSEAS[2]	37,079	37,961	–2.32	77,195	68,394	12.87
NAVY	TOTAL[2]	**125,481**	**125,218**	**0.21**	**249,417**	**223,408**	**11.64**
	CONUS	31,375	30,386	3.25	50,273	49,404	1.76
	OVERSEAS	5,373	4,856	10.65	9,861	8,782	12.29
MARINE CORPS	TOTAL	**36,748**	**35,242**	**4.27**	**60,134**	**58,186**	**3.35**
	CONUS[3]	5,983	6,105	–2.00	11,220	11,449	–2.00
	OVERSEAS[3]	446	455	–1.98	8.36	8.53	–1.99
COAST GUARD	TOTAL[3]	**6,429**	**6,560**	**–2.00**	**12,056**	**12,302**	**–2.00**
	CONUS[4]	1,638	1,885	–13.10	2,877	3,237	–11.12
	OVERSEAS[4]	2,687	2,597	3.47	4,262	4,071	4.69
MAIL ORDER	TOTAL[4]	**4,324**	**4,482**	**–3.53**	**7,139**	**7,307**	**–2.30**
	CONUS	$370,573	$321,285	15.34	$700,290	$637,629	9.83
	OVERSEAS	$250,755	$180,037	39.28	$496,076	$398,414	24.51
ALL EXCHANGES	TOTAL	**$621,328**	**$501,322**	**23.94**	**$1,196,366**	**$1,036,043**	**15.47**
DEPARTMENT STORES	*U.S.[1]*	*$8.606*	*$8.125*	*5.92*	*$17.170*	*$16.002*	*7.30*

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.